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# AMERICAN SHIPBUILDING ASSOCIATION

## **The China Threat**

### **Commercial Shipbuilding**

Commercial shipbuilding is growing rapidly in China; a stimulus for growing the economy and gaining technology, facilities, and training for naval ship construction. This is particularly evident when examining China's increasing market share in the manufacture of commercial ships. In 1990, China's commercial shipbuilding market share was essentially zero. Following the economic models which had been successfully implemented by the Japanese and South Koreans to propel those countries to the commercial shipbuilding forefront, China began to invest in its commercial shipbuilding industry and by 2003 its market share had grown to 11%.

All Chinese shipyards are government owned, and thus all investments are direct investments by the government. In 1998, the Chinese government re-organized the China State Shipbuilding Corporation, which in addition to owning all the shipyards, has integrated the yards and marine equipment firms. The Shanghai Waigaoqiao Shipbuilding facility is the single largest shipbuilding investment project in China. This one yard has more capacity than all U.S. shipyards combined.

### **Defense Industrial Base**

The Chinese defense industries have pursued a variety of measures, to include imports of foreign equipment, technology, and expertise; cooperative research, development, and production efforts; domestic research initiatives; and facility expansion and modernization. According to the Department of Defense *FY04 Report to Congress on PRC Military Power*, for the past 5 years, China has sought to diversify its sources of foreign technology – to include military technology – in an effort to avoid over reliance on a single source for military technology and to reduce its dependence on the United States for dual-use and civilian technologies.

Although China is reliant on foreign acquisitions, in the past several years, China's defense industrial base is becoming a modern productive base, capable of producing the components, systems, and weapons that China needs. China's industrial firms have improved their R&D techniques, their production processes, and the quality of their output. Self-sufficiency will continue to be China's long-

term defense industrial goal, with plans to achieve weapon quantity levels approaching those of the industrialized world within the next 5-10 years.

### **Naval Shipbuilding**

The Chinese have been officially modernizing their military for two-and-a-half decades. By the end of the 1980's this modernization had begun to dramatically accelerate with annual defense budget increases of around 15%, according to China's own accounts. However, the budget understates the actual defense-related spending and does not include major spending categories, such as weapons research and foreign weapon purchases, or manpower costs. In addition, the Chinese military receives funding or materials from other internal government sources. Despite the uncertainty as to precise figures, China now ranks third globally in defense spending, behind the U.S. and Russia.

The People's Liberation Army (PLA) Navy is modernizing to enhance regional power projection, anticipating operations against a technologically sophisticated adversary – the United States.

According to a 2003 report issued by the Congressional Research Service, the Chinese naval fleet was comprised of the following vessels.

Aircraft Carriers	0
Attack nuclear-powered submarines	5
Submarine, surface to surface missile	3
Destroyers	21
Frigates	43

Based on current build rates and mission objectives, a Federation of American Scientists study projected China's naval inventory to consist of the following by 2010:

Type of Ship	Projected Inventory (2010)
Aircraft Carriers	N/A
Destroyers	27-29
Frigates	34-43
Submarines	62
Amphibious	29

Submarines play an important role in the PLA's future concepts. In an important advancement, China reached agreement with Russia in 2002 for eight new Kilo-class submarines, considered one of the most advanced diesel-electric submarines. China is expected to incorporate this new technology into its own designs.

Four modern Sovremenny-class destroyers were purchased from the Russians, immediately boosting the capability of the Chinese fleet to operate further out in the South China Sea, away from land-based air defenses. A new class of indigenously developed stealthy destroyers, a follow-on to the LUHAI-class, was launched in 2002. These ships have an even greater air-defense capability, with technologies believed to match the U.S. Aegis system.

The Chinese strategy seeks to weaken the American presence in the region and simultaneously extend Chinese influence through an ever-expanding military capability in international waters off China's coast. According to a quote that appeared in Hong Kong's *Ta Kung Pao* daily newspaper, May 13, 2003, Maj. Gen. Huang Bin, a professor at the PLA National Defense University stated, "We have the ability to deal with an aircraft carrier that dares to get into our range of fire." This sentiment was echoed by Richard Fisher, Asian Security Studies Fellow at the Center for Security Policy, "The forces that China is putting in place right now will probably be more than sufficient to deal with a single American aircraft carrier battle group."

The Chinese military is the only one being developed anywhere in the world today that is specifically being configured to fight the United States of America.

### The U.S. Naval Fleet

While China's navy is steadily growing, the size of America's fleet is on the decline. Based on current budget estimates, in 2010, the U.S. naval fleet is estimated to number approximately 230 ships. The U.S. submarine force is expected to number around 30 submarines – in contrast to the projected Chinese submarine force of 62 submarines.

